

1993 MILITARY PROMOTIONAL PROGRAMS

MILITARY MULTI-BRAND FULL PRICE PROMOTION

- This ongoing program is designed to increase/maintain the sale of RJRT "full price" brands, respond to competitive activity, new brand introduction, and special military sales in military carton and pack outlets throughout the year.
- As the Operating Plan positions, the priority focus is to emphasize "Full Priced Brands."
- As necessary, RJRT "full priced" brands should be couponed to match competitive brand couponing.
- The "full priced" category continues to decline in this market. In fact, "savings" volume is larger than "full priced" volume, our most profitable category.
- \$2.00, \$3.00, and \$4.00 carton, and 50-cent pack multi-brand coupons are authorized for this program.
 - Use the "Account Specific Marketing" planning process in every call.
 - Budget management/monitoring must be kept in mind when executing this program.

-B1-

Rev. 5/93

51860 9812

Competitive Couponing

- Utilize the Account Specific Marketing planning process in every call.
 - Ensure RJRT "full price" brands are defended against competitive brand promotion.

Military Sales

- Throughout the year, the military chains conduct their own in-store promotions. Sales dates can be obtained at store level.
- These sales offer you an opportunity to sell extra "full priced" brands.
- These promotions are advertised within the military media, and by the chains themselves. Customer support and traffic is usually quite high.
 - Ensure sufficient quantities of RJRT brands are available, and if needed, promoted in support of the sales.

New Brand Introduction

- When RJRT new brands are introduced, and no brand specific coupon activity is announced for military carton outlets, utilize multi-brand coupons to obtain distribution and to create consumer awareness.
- Respond to competitive new brand entries to defend comparable RJRT brands' business.

-B2-

Rev. 5/93

51860 9813

Implementation

- The screens listed below appear in the S.I.S. for reporting military multi-brand coupons that are charged against this program's budget.

Cartons:

MIL MB \$2.00 FP
MIL MB \$3.00 FP
MIL MB \$4.00 FP

Pack:

MIL MB \$.50 PK

- "Military Multi-Brand Full Price Promotion" budgets are assigned by your Regional Manager.
- Special "Military Multi-Brand Full Price" carton coupons in \$2.00, \$3.00, and \$4.00 increments, and 50-cent pack coupons are available through the Sales Materials System.

MILITARY SAVINGS BRANDS PROMOTIONS

DORAL

- We will follow the "1993 RJRT Sales Department Operating Principles" for promoting Doral in the military, with the exceptions as noted below. Reference the "Savings Brands" section of that document.

-B3-

Rev. 5/93

51860 9814

- Due to military price structures, our company profitability comparisons are different in this market segment, versus the civilian market.

IMPORTANT!!

Carton Couponing

- The only authorized coupon amounts for military accounts are:

Carton \$1.50 \$2.00 \$2.50 \$3.00

- At the current military pricing, the company operates at a loss if couponing exceeds \$3.00 off a carton on Doral.
- Use regular Doral carton coupons when promoting in the military.

Pack Couponing

- Doral has authorized the use of pack couponing in military accounts in order to match competitive couponing activity. The following coupon values are authorized:

\$.20 \$.25 \$.30

-B4-

Rev. 5/93

51860 9815

- At the current military pricing, Doral operates at a loss at coupon values above \$.25 off a pack. Use the \$.30 pack coupon only on an exception basis to match key competitors like Cambridge.
- Use regular Doral pack coupons when promoting in the military.
- The strategy for pack couponing, as with carton couponing, is to match key competitive couponing activity.

VPR's/Buy Downs

- Although not generally accepted in the military, strive to buy down cartons and packs, using up to \$3.00 for cartons and \$.30 for packs.
- At the current military pricing, the company can influence its profitability by using buy downs in place of couponing.

MAGNA/STERLING

- Follow the 1993 RJRT Sales Department Principles for promoting Magna/Sterling in the military, with the exceptions as noted below. Reference the "Savings Brands" section of that document.
- As with Doral, current military price structures and profitability limit the coupon dollar amounts for these brands.

-B5-

Rev. 5/93

51860 9816

IMPORTANT!!

Carton Couponing

- The authorized coupon amounts for military accounts are:

Carton	\$1.50	\$2.00	\$2.50
Pack	\$.20	\$.25	

- Funding for Magna/Sterling coupon promotions come from the "Savings Segments Budget."
- Use regular Magna/Sterling carton coupons for this promotion.

VPR's/Buy Downs

- Although not generally accepted in the military, strive to buy down cartons and packs, using up to \$2.50 for cartons and \$.25 for packs.
 - At the current military pricing, the company can influence its profitability by using buy downs in place of couponing.

SPECIAL NOTE - IMPORTANT

The same Savings Brands hand held screens available for reporting Doral, Magna and Sterling coupon/VPR/Buy Down placements in the "civilian market" are to be used for reporting placements in the military market.

-B6-

Rev. 5/93

51860 9817

MONARCH

- Introduced to the military in 1993, Monarch is positioned to compete in the growing "low-price" category.
- Strive to secure distribution of as many brand styles as appropriate.
- As with our other Savings Brands, current military price structures limit the coupon amounts for Monarch.

Carton Couponing

- Carton couponing is authorized for military accounts only.
- The authorized coupon amount for military is: \$1.00
- Budgets for this program will be assigned by your Regional Managers. However, do not delay implementation of this program until budgets are communicated.
- At this time, pack couponing for Monarch is not authorized.

VPR's/Buy Downs

- Although not generally accepted in the military, strive to buy down cartons, using up to \$1.00 per carton.
 - At the current military pricing, the company can influence its profitability by using buy downs in place of couponing.

-B7-

Rev. 5/93

51860 9818

Implementation

The screen listed below appears in the S.I.S. for reporting Monarch carton coupons:

M MONARCH \$1 CPN

SPECIAL NOTE:

- It is vitally important that all military accounts be classified in the S.I.S. correctly. The "M" call classification so designates military calls. Ensure your military calls are classified correctly.
- Likewise, ensure all entries for coupons placed in military calls are reported in ("M") military calls, and not civilian market retail calls. This to include Hand-Held and the Part-time Scanning System entries.

EXCHANGE INITIATIVE PROGRAM

This successful package program is being offered again to military "Package Action" outlets.

Strategies

- The Exchange Initiative Program should be offered to all appropriate exchanges that sell package cigarettes.

-B8-

Rev. 5/93

51860 9819

Permanent Display/Contract

- The below listed screens appear in the hand-held unit in the "Package Display Contract" section:
 - MPA (Small Counter)
 - MPB (Large Counter)
 - MPC (Floor Unit)
- Additional copies of the contract should be made for customer signature; and retain original signed contract in appropriate division files.
- Sell the permanent floor display unit to all appropriate Navy, Marine Corps, and Coast Guard Exchanges locally. Sell the counter display for lower volume stores, or as an alternative.
 - It is recommended one of the "Preferred Presence" units be used for counter and floor display placement. The "System 3" floor stand kit, or our new Dimension-4 Sales Promotion System, are alternatives you may choose to select.

Temporary Display Program

- At this time, AAFES has chosen not to authorize our permanent program. AAFES Headquarters announces two-week temporary display dates. As these dates are received, same will be provided to you for implementation locally. Premiums, etc., will be designated by local RJR Reps.

Premiums/Coupon Allocations

- Utilize premiums, coupons, etc., from your Division Work Plan allocations.

-B9-

Rev. 5/93

51860 9820